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ABSTRACT

Whether or not there will be enough funds available to meet required expenditures has become an annual dilemma for most colleges and universities in recent years. This publication, based on a survey conducted among the 130 member institutions of the National Association of State Universities and Land-Grant Colleges (NASULGC), is an attempt to show the dimensions of the financial crisis besetting large public universities. The colleges and universities represented in this report together enrolled slightly more than 30 percent, or 3.1 million, of the 10.2 million students attending all higher education institutions in Fall, 1974. The questionnaire attempted to identify possible trouble areas. Analysis of the data is designed to show the effects of inflation and of continued enrollment increases on the financial resources of these universities. Special attention has been devoted to the growing problem of inadequate state appropriations. Economy measures being taken to help combat rising costs and other efforts to cope with crisis situations are emphasized. Implicit in every aspect of the financial crisis is the question of quality. This is evidenced by the major unmet needs as analyzed by the universities themselves. (Author/JMF)

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A QUESTION OF QUALITY

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INTRODUCTION

The financing of higher education has become the single most troublesome issue facing the nation's colleges and universities in recent years.

Whether or not there will be enough funds available to meet required expenditures has become an annual dilemma for most of them. Yet the issue goes much deeper. The very way in which colleges and universities, especially the public ones, are financed is in question as money from the traditional primary sources of support becomes scarcer and less adequate to meet the requirements of education beyond high school.

At the center of the controversy are millions of American citizens who directly or indirectly benefit from knowledge produced by institutions of higher education.

This publication, based on a survey conducted among the 130 member institutions of the National Association of State Universities and Land-Grant Colleges (NASULGC), is an attempt to show the dimensions of the financial crisis besetting large public universities. The colleges and universities represented in this report together enrolled slightly more than 30 percent, or 3.1 million, of the 10.2 million students attending all higher education institutions in Fall, 1974.

Although no survey can actually pinpoint the extent of an institution's financial peril or financial well-being, the questionnaire did attempt to zero in on possible trouble areas. In some cases comparisons have been made with information gathered in spring, 1971 and subsequently reported in People's Colleges in Trouble, A Financial Profile of the Nation's State Universities and Land-Grant Colleges.

Survey responses were received from 96 member institutions, representing 275 campuses. Data obtained has been used as the basis of measurements designed to show the effects of inflation and of continued enrollment increases on the financial resources of these universities. Special attention has been devoted to the growing problem of inadequate state appropriations. Support from the states continues to represent more than half of all current funds revenue available to state and land-grant universities.

Economy measures being taken to help combat rising costs and other efforts to cope with crisis situations are emphasized. The final chapter deals with today's major unmet needs as analyzed by the universities themselves.

CRUCIAL ISSUES

This report is not designed to deal in any depth with the large philosophical issues involved in the financing of public higher education. Yet, as state and land-grant universities grapple with the day to day problem of providing the best possible education in a time of rapidly escalating costs, these issues become increasingly crucial in determining what the future will bring.

Some of the questions which are being asked with increasing frequency are:

> What is the extent of the public commitment to education beyond high school?
>
> Should the student pay a larger share of educational costs at public universities?
>
> What new sources of revenue can be tapped to aid in meeting the burden imposed by rising costs and demands for new types of services?

As public institutions, the universities represented in this report are committed to the traditional concept of public higher education which involves major support from the states they serve and minimum charges for students. It has been a concept that has proved highly successful in providing for the education of millions of American citizens who have ultimately more than paid back the costs of the public gift they received.

Implicit in every aspect of the financial crisis is the question of quality. This concern was expressed most eloquently by President John Weaver of the University of Wisconsin System, speaking about financial problems within his own state. His comments would seem to apply to all states and to all public colleges and universities.

> "There still is clearly a choice -- a choice between those who would join me in saying that strong education has built Wisconsin's very foundations -- that quality education is, indeed, still its greatest strength and asset, both for today and tomorrow, and that we have a state's future at stake in keeping the opportunity for it open and fully available; and there are those who would say that such a goal is no longer realistically possible. It is that crucial choice that now hangs in the balance of public decision."

CHAPTER I

SOME SIGNS OF CRISIS

Current funds revenue at state and land-grant universities increased only 7.2 percent in 1974-75 as the cost of goods and services purchased by institutions of higher education overall shot up an unprecedented 8.6 percent -- the largest one-year rise in history.

Forty-seven universities reported revenue increases which fell below the 8.6 percent increase in the cost of goods and services. Two universities actually had decreases in revenue compared with 1973-74.

In sum, this imbalance between revenue and expenditures demonstrates the dimensions of the financial crisis facing higher education today. Conditions differ widely from state to state, but the inflationary squeeze besetting the country at large also affects its state and land-grant universities across the board. The developments in states where the situation is most critical provide a forecast of the future well-being of public universities throughout the nation.

State appropriations, which account for slightly more than half of all current funds revenue for state and land-grant universities, increased 9.4 percent in 1974-75. This was slightly ahead of the rate of inflation besetting higher education but it failed to provide the funds required to cover costs of educating additional students. Enrollment at state and land-grant universities increased by 4.1 percent in 1974-75. (The bulk of state-appropriated funds is used for instructional purposes.)

Twenty-three universities reported state appropriations which trailed the 8.6 percent rate of inflation. Three of these universities actually had decreases compared to 1973-74. Early data on state appropriations for 1975-76 show that 15 of 35 reporting universities have received appropriation increases which are below the 1974-75 inflation rate.

Seven universities reported faculty and/or staff layoffs for 1974-75 and nine reported they also will be making personnel cuts in 1975-76.

Hiring freezes were used extensively in the battle against rising costs in 1974-75 with 29 institutions freezing faculty

hiring and 31 universities imposing a lid on the hiring of new staff members. Twenty-eight institutions reported they expect to freeze faculty hiring for 1975-76 and 27 indicated they will do the same for staff hiring. Eight universities reported that faculty salaries might have to remain at 1974-75 levels.

Thirty-two universities said that they had to raise tuition charges in 1974-75 to meet operating expenses. At the time of the NASULGC survey, thirty institutions said they were considering tuition hikes for 1975-76 and 32 institutions said there would be increases in required fees. The median reported increase for tuition and fees came to approximately $51.

Soaring energy costs accounted for a critical portion of the financial burden borne in 1974-75 by state and land-grant universities. Total costs for energy were up 37.3 percent for the 95 institutions which provided energy cost data for the NASULGC survey. The total energy bill jumped from $201,766,701 in 1973-74 to $277,070,384 in 1974-75. These cost increases came about despite conservation efforts. Seventy-eight universities which provided data on the subject estimated savings resulting from cutbacks in energy usage at $30,084,995 for a reduction of 11.1 percent in expenditures for energy in 1975.

Here, then, are some of the major survey findings which demonstrate how state and land-grant universities are trying today to cope with financial problems. Solutions which these institutions develop are sure to have an effect on the future of this large segment of higher education and on the millions of students who come to these universities and colleges seeking the training they want and need.

Chapter II

INFLATION AND THE STATE UNIVERSITY

The financial problems in higher education reflect the pressures of inflation on the nation's economy as a whole. Inflation is the biggest problem for higher education as it is for so many other sectors across the country.

To measure the extent of inflationary pressure on any particular sector of the economy, it is necessary to focus on the rate of increase in the prices of the particular combination of goods and services purchased by the sector in question.

At least five price indexes have been designed with higher education in mind. The Higher Education Price Index (HEPI), constructed and updated annually by D. Kent Halstead of the Department of Health, Education and Welfare (DHEW), was used for purposes of comparison in this report.

HEPI measures both wage and price changes in 10 categories involving the types of goods and services which are purchased by universities and colleges. It applies to all institutions of higher education rather than to any single segment.[1]

Halstead notes in his book, Statewide Planning in Higher Education, that since faculty salaries account for the largest expenditures in any college or university budget and salary trends tend to be uniform throughout the country, a specially designed index will not, as a rule, vary substantially from the HEPI based on national average weightings.

[1] A complete description of the design and basic concepts of the index may be found in Appendix B of Halstead's book, Statewide Planning in Higher Education, published by the U.S. Government Printing Office. The index figures used to compute percentage changes from year to year as shown in the bar chart on page 7 differs slightly from the index figures shown in the book because they are based on a slight revision of the index made by Halstead to refine further the components. New index figures will be included in Halstead's new book, Higher Education Prices and Price Indexes, to be published by the U. S. Government Printing Office in 1975. We are grateful to Mr. Halstead for providing us with the numbers for his new index and with other helpful information.

HIGHEST RISE IN HIGHER EDUCATION PRICE INDEX

Final index figures covering the 1975 fiscal year compiled by Halstead show the highest year-to-year change in the index in the past 13 years. The index jumped 8.6 percent from 1973-74 to 1974-75.

For almost half of the state and land-grant universities participating in the NASULGC survey, revenue did not go up enough to cover this rise in the cost of necessary goods and services. In addition, the majority of these institutions continued to face demands to educate more students. As reported in Chapter I, total enrollment at NASULGC institutions increased 4.1 percent in the fall of 1974 compared with the fall of 1973.

The adequacy of revenue in meeting the needs of all students being served by state and land-grant universities was analyzed by ORI by calculating total income per student for each of the two years, expressed in terms of 1973-74 constant dollars (allowing for the 8.6 percent rise in costs of goods and services).[2] Data for 94 institutions for which comparable information on both enrollment and revenue were available revealed that the amount of income per student dropped from $4,138 in 1973-74 to $4,045 in 1974-75 when the effects of inflation were taken into account. That means that state and land-grant universities had an average of $93 less per student in 1974-75 than they had in 1973-74.

LABOR INTENSIVE ENTERPRISES

At the heart of budgetary problems facing all colleges and universities is the fact that they are labor intensive enterprises. For example, the median percentage of 1974-75 budgets for educational and general expenditures at state and land-grant universities which was devoted to salaries was 67 percent, according to data from 89 survey participants.

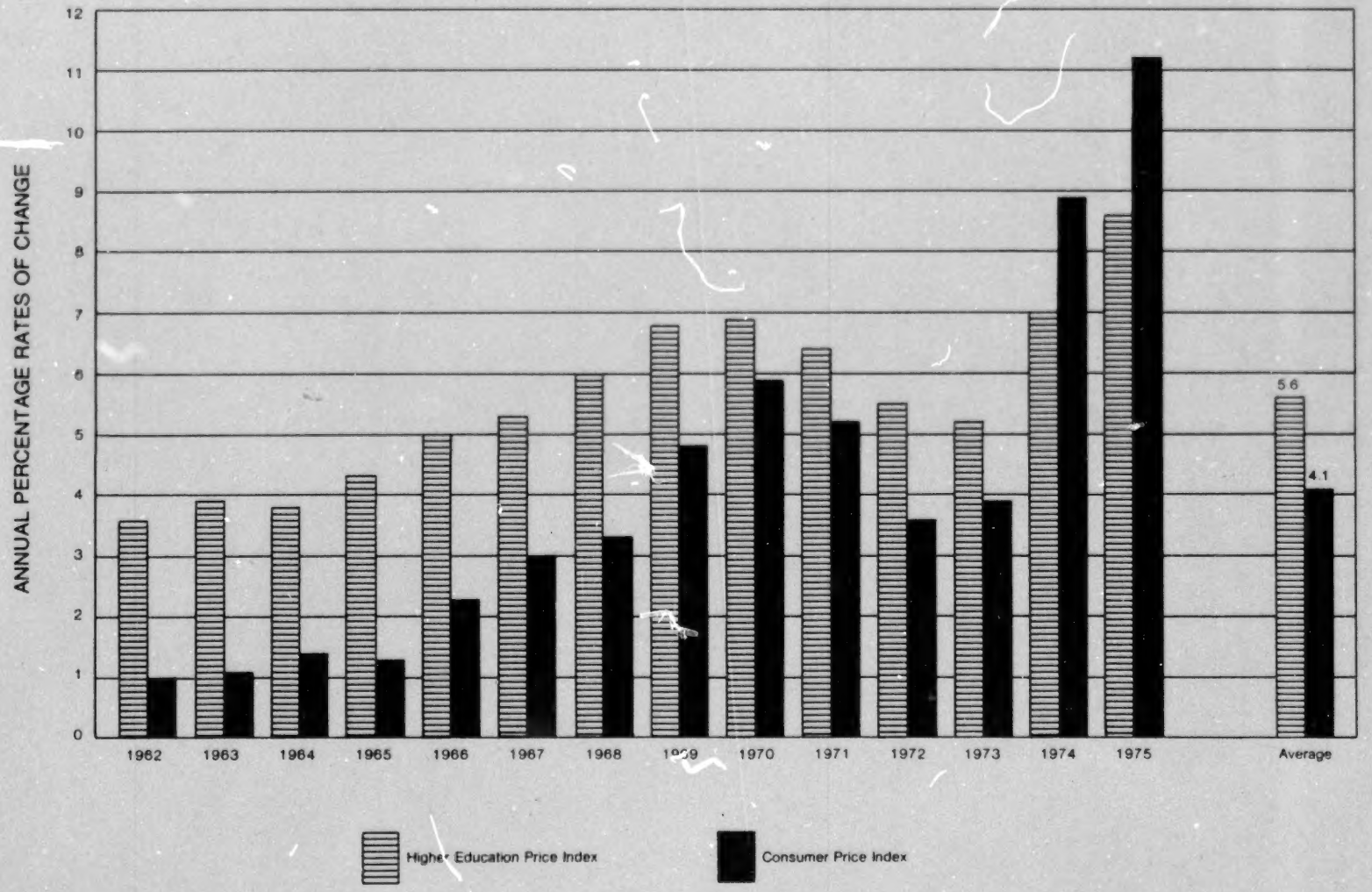
The high proportion of the higher education budget which is in people is reflected in the index, which is dominated by salaries.

[2] The procedure followed for arriving at figures for per student income involved dividing total revenue for the 94 NASULGC institutions providing the necessary data by the total full-time equivalent enrollment at these institutions for each of the two comparative years. To show 1974-75 revenue per student in terms of constant 1973-74 dollars, the 1974-75 income per student was then divided by 1.086, the amount of the HEPI increase over the period.

COMPARISON OF RATES OF CHANGE

HIGHER EDUCATION PRICE INDEX (HEPI) VS CONSUMER PRICE INDEX (CPI)

FISCAL YEARS 1962-1975



The fact that for the past two years the increase in HEPI was less than the increase in the Consumer Price Index (CPI), as shown in the bar chart on page 7, is primarily due to the dominance of salaries in the budgets of higher education institutions and, accordingly, in HEPI.

In a time of stringency, salary decisions are as much a result of the financial problems as they are an indication of the effects of inflation.

That is, smaller increases in salaries have been one of the results of inflation in higher education institutions. This is especially true among NASULGC members. Fifty-five survey respondents designated increases in salaries for existing faculty and staff as their number one priority need. Thirty-eight other institutions listed it among needs which they feel are not being adequately met.

Richard Wynn, director of Operations Analysis for Educational Ventures, Inc.,writing in the January, 1975 edition of the Professional File of the National Association of College and University Business Officers, observed that the slowing of higher education inflation at the expense of real wages of employees may continue in the years ahead.

"Despite labor market constraints, institutions have some limited control over their wage policies in the short run. They cannot control general inflation in the economy. Financial pressures may dictate that action be taken in those areas where institutions have some limted freedom to act," Mr. Wynn observed.

In the case of public colleges and universities, the amount of funds available for salaries is dependent almost entirely on state appropriations.

Because state legislatures in recent years have failed to appropriate the necessary funds, wage inflation for many public institutions has lagged behind general wage inflation and also behind the amount of wage increases recommended by the institutions as necessary to maintain their positions in the national market.

The state of Washington offers a good example of what is happening in the area of salaries. Early in the year the Council on Higher Education, a citizen group established by the legislature to provide independent judgements about future plans and financing of higher education in the state, recommended a 21.9 percent increase in salaries for faculty. Governor Daniel Evans recommended an 18 percent increase for both faculty and staff. The large increases were considered vital because higher education salaries within the state

were at the bottom of an eight-state comparative group. Faculty members had gone two years without salary increases.

However, the legislature has thus far recommended only one increase of 12 percent for the biennium which ends in June, 1977.

In stressing the necessity for an additional increase, President Glenn Terrell of Washington State University made a point which is becoming an increasingly important issue in many states.

"We have reached the point where we can no longer accept a mandate from the legislature ordering us to take funds out of other categories to improve salaries," he said. "Other aspects of the budget are just as important as salaries."

STANDSTILL BUDGETS

Despite the salary situation, which may prohibit any index from reflecting fully the inflationary pressures which are being felt by higher education, it is safe to assume that institutions which did not realize an increase in actual revenue in 1974-75 which was at least commensurate with the rise in HEPI are at best standing still. Funds to provide for additional students, which continues to be a factor for most of these institutions, further enhance the need. If the imbalance of revenue versus expenditures continues it is also safe to assume that the eventual result will be an actual reduction of services or deterioration of the quality of the programs which are offered.

For public universities, shifts in state appropriations are especially significant since these represent approximately half of all current funds and make up an even greater proportion of funds which are available for instructional purposes.

Two universities actually reported decreases in the amount of revenue received in 1974-75 compared with 1973-74. These institutions were Federal City College, where revenue decreased by $1,502,700 for a drop of 5.8 percent and Florida State University, which received a revenue cut of $158,392 compared with the previous year for a .2 percent decline. Forty-six additional institutions reported increases in revenue which represented rises of 8.6 percent or less.

Three member institutions, the University of Florida, Florida State University and Rutgers University reported decreases in their

state appropriations compared with 1974. Decreases for the two Florida institutions were largely due to a state-mandated reduction of 2.6 percent in the original appropriation for all institutions within the State University System of Florida. The University of Florida had to make cuts totalling $1.7 million, while the required reduction for Florida State was $1.4 million.

The percentage amounts of the decreases were: University of Florida, 1.5 percent; Rutgers University, .8 percent and Florida State University, .7 percent.

Twenty-two other institutions reported increases in revenue which were 8.6 percent or less.

(The table on the following page lists all NASULGC institutions which reported changes from 1973-74 to 1974-75 in total revenue and in revenue from state appropriations that were less than the 8.6 percent increase in HEPI.)

STATE AND LAND-GRANT UNIVERSITIES WITH --

Standstill Revenue*	
Federal City College	-5.8%
Fla. State University	- .2
Univ. of North Dakota	+ .6
Kent St. University	1.2
N. Dakota St. Univ.	1.5
Montana St. Univ.	1.6
Oregon St. Univ.	1.8
Texas Tech. Univ.	1.8
Univ. of Illinois	2.0
Univ. of Houston	2.2
Univ. of Mass., Amherst	2.3
Univ. of Fla.	2.4
Univ. of Alabama, Univ.	2.7
Univ. of Pittsburgh	3.5
Univ. of Minnesota	3.8
Temple Univ.	4.0
Purdue Univ.	4.0
Univ. of Michigan	4.4
Univ. of Maryland	4.6
Univ. of Missouri	5.0
Rutgers Univ.	5.0
Univ. of Arizona	[illegible]
Kentucky St. Univ.	.1
Ohio St. Univ.	5.4
Univ. of Nev., Reno	5.5
Univ. of Vermont	5.6
N.C. A & T St. Univ.	6.2
Univ. of Kentucky	6.3
Univ. of Washington	6.6
N.C. St. University	6.7
Kansas St. Univ.	6.9
Indiana Univ.	7.0
Miami Univ.	7.2
Texas A & M Univ.	7.4
Univ. of Georgia	7.5
Univ. of Hawaii	7.5
Auburn Univ.	7.6
SUNY	7.7
Univ. of Connecticut	7.7
Univ. of Virginia	7.7
Univ. of Montana	8.0
Univ. of Tennessee	8.0
Univ. of Wisconsin	8.2
Prairie View A&M Univ.	8.3
Tennessee St. Univ.	8.4
Pennsylvania St. Univ.	8.4
Oklahoma St. Univ.	8.4
Louisiana St. Univ.	8.6

Standstill State Appropriations*	
Univ. of Florida	-1.5%
Rutgers Univ.	- .8
Fla. St. Univ.	- .7
Federal City College	+ .2#
Oregon St. Univ.	1.1
Texas Tech Univ.	2.3
Indiana Univ.	2.5
Univ. of Missouri	3.6
Univ. of Alabama	4.6
Purdue Univ.	4.6
Univ. of Houston	4.8
Univ. of Mass., Amherst	5.4
West Virginia Univ.	5.7
Texas A & M Univ.	6.6
Montana St. Univ.	7.1
N.C. St. Univ.	7.1
SUNY	7.3
Univ. of Georgia	7.3
Kent St. Univ.	7.4
Univ. of Virginia	7.9
Temple Univ.	8.0
Pennsylvania St. Univ.	8.1
Univ. of Minnesota	8.1
Univ. of Kentucky	8.6
Univ. of Pittsburgh	8.6

* Fiscal Year 1974-75

\# Local Appropriations

CHAPTER III

WHERE DOES THE MONEY COME FROM?

Current funds revenue represents all the resources of a college or university which are expendable for carrying out the primary missions of these institutions -- instruction, research and public service. At the 96 state and land-grant universities which were able to provide data on total current funds revenue for the NASULGC survey, income was $8,907,783,787 in 1974-75. The 7.2 percent increase in revenue for the year represented a rise from the 1974 total of $8,307,704,241.

The survey also sought information on revenue by source, using categories defined in the current edition of College and University Business Administration, published by the National Association of College and University Business Officers (NACUBO). Categories included in the survey were:

Student Fees
Federal Appropriations
State Appropriations
Local Appropriations
Federal Grants and Contracts
State and Local Grants and Contracts
Private Gifts, Grants and Contracts
Endowment Income
Sales and Services of Educational Activities
Other Educational and General Revenue
Other Sources

Three categories in the NACUBO listing of current funds revenue were not included in NASULGC calculations. The categories were Sales and Services of Hospitals, a source of revenue available to a limited number of institutions and allocated to the operation of these facilities, and Sales and Services of Auxiliary Enterprises and Independent Operations, which are both usually self-supporting.

Data on revenue by source for 1974 and 1975 was provided by 89 NASULGC institutions. State appropriations represented 52.7 percent of the total support for these institutions in 1974-75, making this one category their largest single source of revenue by far. Federal grants and contracts, which made up 16.3 percent of the support package and student fees, which accounted for 15 percent of current funds revenue, ranked second and third respectively. None

of the other listed sources accounted for more than 3.3 percent of the total support.

The share of total support provided by state appropriations rose slightly in 1975 while the share of support obtained from the other two major sources declined slightly. However, the total percentage of support represented by the three major revenue sources changed only slightly over the two-year period, increasing from 83.7 percent of all support in 1973-74 to 84 percent of the total support package in 1974-75. Shifts in the percentage of support derived from each of the other sources changed little over the two-year period.

The largest increases in support by source in 1974-75 were in state and local grants, which were up 10.4 percent, and in state appropriations, which increased 9.4 percent.

The amount of state appropriations revenue increased from $4,011,386,980,or 51.7 percent of total revenue in 1974 to $4,389,148,478,or 52.7 percent of total revenue in 1975,for the 9.4 percent rise. State and local grants, which represented only two percent of the total revenue for both years,increased from $152,376,100 to $168,185,872 for the 10.4 percent jump.

Federal grants and contracts, which represent the second largest source of current funds revenue for state and land-grant universities, increased only slightly in 1975 -- from $1,298,021,509 to $1,357,160,636, a rise of 4.6 percent. The percentage of total revenue obtained from federal grants actually declined from 16.7 percent in 1974 to 16.3 percent in 1975.

Student fee revenue, the third major source of support, increased 5.5 percent in 1975 from $1,185,971,518 to $1,250,910,542. The percentage of total support derived from student fees declined from 15.3 percent in 1974 to 15 percent in 1975.

Among the other sources of revenue, only one category -- other sources -- showed an increase which was greater than the 8.6 percent inflation rate. Income from this category, which represented 3.3 percent of the total support in 1975, increased from $249,858,243 to $271,770,835, a rise of 8.8 percent.

Revenue from private gifts and grants actually declined .7 percent from $274,795,742 in 1973-74 to $272,972,423 in 1974-75.

Because the NASULGC survey was conducted prior to the close of the 1975 fiscal year, many of the revenue figures reported by

institutions for the period are estimates. However, final figures should not vary greatly from the estimates. For purposes of determining nationwide shifts in the proportion of revenue coming from each of the traditional sources and percentage changes in each of the respective categories, the figures should be highly reliable.

The chart below shows the amounts and percentage of revenue derived from each source by state and land-grant universities in both FY 1974 and 1975. The last column indicates the percentage change in the amount of revenue received over the period from each source.

CURRENT FUNDS REVENUE AT STATE AND LAND-GRANT UNIVERSITIES*
FISCAL YEAR 1974-75

REVENUE SOURCE	1974	% of Total	1975	% of Total	Numerical Change	% Change
Student Fees	1,185,971,518	15.3	1,250,910,542	15.0	64,939,024	5.5
Federal Appropriations	182,278,629	2.3	185,923,337	2.2	3,644,708	2.0
State Appropriations	4,011,386,980	51.7	4,389,148,478	52.7	377,761,498	9.4
Local Appropriations	35,304,671	.5	38,189,593	.5	2,884,922	8.2
Federal Grants & Contracts	1,298,021,509	16.7	1,357,160,636	16.3	59,139,127	4.6
State and Local Grants	152,376,100	2.0	168,185,872	2.0	15,809,772	10.4
Private Gifts and Grants	274,795,742	3.5	272,972,423	3.3	- 1,823,319	- .7
Endowment Income	60,074,311	.8	62,148,891	.7	2,074,580	3.5
Sales and Services of Educational Activities	164,448,170	2.1	171,683,670	2.1	7,235,500	4.4
Other Educational and General Income	146,168,498	1.9	157,207,634	1.9	11,039,136	7.6
Other Sources	249,858,243	3.2	271,770,835	3.3	21,912,592	8.8
TOTAL	7,760,684,371	100.0	8,325,301,911	100.0	564,617,540	7.3

*Representing 89 institutions

DECLINES IN EVERY SOURCE OF INCOME

There were declines reported by state and land-grant universities in income from each of the sources listed in the survey. The largest number of decreases were reported in the area of private gifts, with 25 institutions showing declines. Twenty-three institutions had drops in the amount of income derived from sales and services of educational activities, and 23 institutions showed declines in the area of other sources.

Eighteen institutions reported drops in the revenue received from federal grants and contracts and 17 institutions showed decreases in endowment income. Sixteen institutions experienced declines in income from other educational and general revenue and the same number reported drops in income from federal appropriations.

Decreases in other areas were as follows: state and local grants and contracts, 13; student fees, 11; local appropriations 4 and state appropriations, 3.

COPING WITH DEFICITS

Because the NASULGC survey was conducted prior to the close of the 1975 fiscal year it was impossible to obtain information on expenditures by category for the year. However, survey respondents were asked to provide information on expected deficits.

Although reports of expected deficits among private universities have become disturbingly commonplace in recent years, public universities have seemed to be comparatively free of such troubles. Actually, state law prohibits most state universities from running a deficit. However, each year seems to bring an increasing number of exceptions to this rule and uncertainty as to whether or not they will be able to break even pervades more and more public campuses.

Among the 13 member institutions which indicated at the time the NASULGC questionnaires were completed in March and April that they might have a current funds deficit for fiscal year 1975, six institutions reported -- when subsequently contacted -- that they no longer expected a deficit. In each of these cases, stringent economy measures had resulted in a reversal of the original prediction.

Four of the institutions which still expected a deficit indicated that it could be taken care of through past surpluses which had been accumulated in their current funds accounts. These institutions were: University of Michigan, with an expected deficit of approximately $645,000; Rutgers University, with a deficit of approximately $600,000; Tennessee State University, with an expected deficit of approximately $416,000 and the University of Vermont, with an expected deficit of approximately $1,723,000.

Operating deficits which can be handled from past surpluses are not considered true deficits by university business officers.

However, reserves such as these are rapidly disappearing at most institutions.

Rutgers offers an example of the type of economy measures that many state universities are being forced to take annually to balance their ledgers. At the beginning of the 1974-75 academic year the revenue-expenditures gap appeared to be about $8.6 million. The university was able to save $5 million through a hiring freeze. The additional shortage, with the exception of $600,000, was made up by the receipt of more student income than had originally been expected and from returns on some short-term bonds.

A threatening deficit of $1.7 million at Pennsylvania State University was the result of an increase in the required employer's share of state retirement costs, which was announced after the university had submitted its appropriations request based on the previous expected contribution. A bill to fund this difference passed the Pennsylvania legislature but was vetoed by the governor. A second attempt is currently underway in the legislature to come up with a bill that would fund these costs. If this supplemental appropriation still fails to win approval, university spokesmen state that the difference may have to be made up through increased student fees.

The other two institutions reporting deficits were Cornell University, one of the two private land-grant institutions holding membership in the Association, and Temple University, which is a state related institution receiving slightly more than a third of its support from the state of Pennsylvania.

Cornell, which has shown a deficit in current funds for every year but one since 1965, expects a 1975 deficit of about $456,000. The university has been able to meet past deficits by utilizing capital funds, which are actually unrestricted endowment funds. However, since the majority of the institution's endowment funds are of a restricted nature and therefore cannot be utilized in meeting current expenses, this is a practice that cannot be employed for many more years if the university continues to run annual deficits.

The bulk of the deficit problems reported by Temple University center on the institution's hospital located in downtown Philadelphia. For the current fiscal year Temple expects a deficit of $2,865,000 for the hospital and $1,470,000 for the rest of the university. However, for the 1976 fiscal year things look brighter. The university's tentative budget is now balanced although first estimates in February of the difference in income and expenditures

for 1975-76 projected a deficit of $10-11 million. Extreme cost-cutting measures coupled with a tuition increase and an expected boost of $4.2 million in the state appropriation will make up the difference.

Problems with the hospital are expected to continue. An independent task force which recently completed a study of operations at the hospital reported that there is no way that the university can hope to avert an annual deficit in the operation of this urban facility.

SOME EXTREME MEASURES

As part of efforts to balance their budgets, some state and land-grant universities are being forced to take certain extreme measures which are considered indications of trouble. These actions include expending unrestricted endowment principal or funds obtained from appreciation of endowment principal for current operating purposes.

In 1971 when the Association issued its first financial report, there were only four institutions which had been required to take such actions. In 1975, five additional institutions indicated that they had taken one or both of these actions.

Federal City College and Cornell University were the only two institutions which indicated that they had found it necessary to use unrestricted endowment principal for operating expenses.

Six institutions reported they had used income obtained from the appreciation of endowment funds for operating expenses. These institutions were: University of Guam, University of Minnesota, Cornell University, University of Houston, University of Vermont and University of Virginia.

CHAPTER IV

PROBLEMS AT THE STATEHOUSE

The 27-campus University of Wisconsin System is facing a year of operation with a state appropriation which provides $6.8 million less in general purpose revenue (excluding increased compensation) than was available in 1974-75. At the same time the university is expecting record enrollments.

In submitting their annual budget document to the system's Board of Regents, university administrators noted: "The proposed budget is an attempt to manage as responsibly as possible with resources which are not equal to the task required for us... For the record, we would have the Regents know that if the present deficiencies are not soon rectified and if the state is unable or unwilling to provide the conditions and resources which make possible the continuation of quality education, the Board cannot long avoid the choice -- the obvious yet unfortunate choice -- between quality and access."

The University of Wisconsin System does not stand alone in its present dilemma. The fortunes of the state university are tied closely to the fortunes of its state. All across the country states are grappling with a drastic financial squeeze. Inadequate increases in their state appropriations have been the result for many public universities. This in turn has necessitated major and often critical budget cuts in their educational programs.

Among the 35 NASULGC member universities which in late August were able to provide information on state appropriations for 1975-76 which could be compared with 1974-75 data, 15 (42.9%) had received increases which were less than the 1974-75 higher education inflation rate of 8.6 percent.

(The chart on page 19 shows the amounts of state appropriations for the institutions for which comparable data for fiscal years 1974-76 were available and the percentage change.)

CRITICAL CHOICES

Choices such as the University of Wisconsin System may face are a threat to many other state universities.

In Maryland, Governor Marvin Mandel recently asked the University of Maryland along with other state agencies to submit

STATE APPROPRIATIONS FOR STATE AND LAND-GRANT UNIVERSITIES
FISCAL YEARS 1974-76

University	1974	1975	% Change	1976	% Change
Arizona State University	37,059,000	42,099,000	13.6	45,176,500	7.3
University of Arizona[2]	66,167,200	72,732,200	9.9	74,237,500	2.1
Delaware State College[1]	3,104,396	3,482,050	12.2	4,177,551	20.0
University of Delaware[1]	21,349,382	23,344,491	9.3	24,529,306	5.1
Florida State University	40,404,214	40,123,232	- .7	39,659,673	- 1.2
Indiana University	92,926,000	95,213,000	2.5	105,640,295[3]	11.0
Purdue University[1]	65,746,152	68,757,578	4.6	80,138,820[4]	16.6
University of Kansas[5]	26,467,052	30,829,653	16.5	37,850,707	22.8
Kentucky State University	3,883,111	4,519,632	16.4	4,983,200	10.3
University of Kentucky	68,523,800	76,087,000	8.6	79,593,900	7.0
L.S.U./Baton Rouge	29,604,936	34,009,169	14.9	37,725,276	10.9
Michigan State University	77,356,097	85,665,800	10.7	88,600,000	3.4
University of Michigan[2]	106,042,400	116,988,921	10.3	120,564,600	3.1
Wayne State University[2]	61,476,200	67,867,000	10.4	71,309,000	5.1
University of Minnesota[1&2]	113,562,166	122,770,123	8.1	146,864,037[7]	19.6
Mississippi State University[1]	21,763,309	25,342,053	16.4	29,195,689	15.2
University of Mississippi[2]	23,971,021[7]	28,957,116[7]	20.8	32,544,329[7]	12.4
University of Missouri[1]	109,195,616	113,151,987	3.6	119,445,153	5.6
University of Montana	10,415,232	11,361,616	9.1	14,021,708	23.4
University of Nevada, Reno[1]	13,344,423	14,635,000	9.7	18,273,000	24.9
University of New Mexico[2]	26,033,460	28,757,600[7]	10.5	33,691,400	17.2
University of North Carolina/Chapel Hill	51,726,256	64,409,425	24.5	68,834,817	6.9
North Carolina A&T University	6,634,707	8,026,093	21.0	8,330,070	3.8
North Carolina State University[1]	43,434,803	46,500,000	7.1	56,073,680	20.6
Miami University	16,547,129	18,130,681	9.6	21,154,730	16.7
Ohio State University[2&6]	90,111,300	99,105,300	10.0	111,138,800	12.1
Oklahoma State University[1]	25,151,621	27,864,711	10.8	32,457,056	16.5
Oregon State University[1]	26,703,105	27,000,000	1.1	34,149,149	26.5
University of South Carolina[2]	37,609,969	46,656,202[7]	24.1	49,557,199[7]	6.2
University of Tennessee[1&2]	71,882,000	83,567,000	16.3	85,909,000	2.8
University of Utah[2]	30,355,000	35,603,000	17.3	41,309,100	16.0
University of Virginia[2]	37,588,689	40,555,000	7.9	41,160,000	1.5
University of Washington	78,906,126	87,220,732	10.5	103,000,000	18.1
West Virginia University	30,573,076	32,305,241	5.7	36,368,923	12.6
University of Wisconsin[1&2]	277,844,707	303,162,046	9.1	313,016,800	3.3

[1] Figures include appropriations for agricultural research and extension.

[2] Figures include appropriations for medical school and teaching hospital.

[3] Figure does not include any of the appropriation for the joint Indiana University-Purdue University campus at Fort Wayne. This appropriation is now given to Purdue, which has assumed the financial operation of the campus. In past years the appropriation for this campus has been split between the two universities.

[4] Figure includes all of the appropriation for the joint Indiana University-Purdue University campus at Fort Wayne. Purdue has assumed the financial operation of the campus. In past years the appropriation for this campus has been split between the two universities.

[5] Figures do not include appropriations for the University of Kansas Medical Center.

[6] Figures include appropriations for agricultural extension but do not include appropriations for agricultural research.

[7] Estimated figures.

to the governor a long-range plan for the years through 1980. The guidelines stipulated a ten percent ceiling in annual General Fund (current funds revenue) increases.

University of Maryland President Wilson Elkins commented in his annual president's report: "If we are held to that ceiling, we will face hard decisions. We will have to cut back on planned expenditure increases. This could only be done by some combination of (1) holding increases in salaries and operating expenses to levels below the rate of inflation; (2) limiting enrollment and hospital patient care; or (3) foregoing the correction of serious internal deficiencies, further growth in any major academic program, and/or full compliance with new government enactments in such fields as equal opportunity and occupational safety."

CUTBACKS IN MICHIGAN

In Michigan appropriations which were finalized in late August for the three NASULGC member institutions -- the University of Michigan, Michigan State University and Wayne State University -- represented increases only in the 3-5 percent range.

The universities cannot be certain that they will actually receive even the amounts appropriated. The constitution of Michigan requires that whenever revenues run below expenditures the appropriations for state agencies must be reduced to bring the two into balance. All agencies were forced to effect cuts of 1.5 percent in their total state appropriations during the 1974-75 fiscal year and predictions are that cuts will be necessary this year.

In order to try to balance their budgets, all three universities have announced tuition increases of 10-15 percent for the 1975-76 academic year. The three already charge tuitions which are among the highest in the nation for public universities, ranging from $720-$904.

The appropriation for the University of Michigan was almost $2 million less than had been anticipated when the university's 1975-76 budget was prepared. Because of the severe cuts, university administrators have announced that they must deal with a deficit budget. The university decided not to make additional increases in student fees, which had been announced prior to the adoption of the state appropriation, or to reduce promised salary increases averaging six percent, which were scheduled to become effective in September.

According to an announcement by Academic Vice President Frank Rhodes, the university hopes to achieve some reduction in proposed expenditures through re-allocation of funds in equipment and renovation areas. The university also hopes to receive additional funds of approximately $403,400 later in the year to help cover increased costs for utilities. The legislature has promised supplemental appropriations to all public colleges and universities for utilities pending the results of a state audit designed to show if the extra funds are needed.

EMPLOYEES GIVE "FREE" DAY

Wayne State University employees have come up with a unique way to help their university reduce the gap between expected revenue and expected expenditures for 1975-76. After an announcement by President George Gullen in late May that the university estimated a shortage of at least $4 million in operating money for the year, two groups have already voted to work one day a month without pay. The groups are staff associates, representing 1,350 clerical, secretarial and technical employees and 400 middle management personnel. This employee contribution will result in a savings of $1 million for the university. Faculty members are scheduled to vote on the same action in September. If this group also adopts the one-day-a-month-without-pay plan, the university will achieve another $1 million savings.

Despite a tuition increase and the voluntary salary reductions, the university had to lay off 30 administrative personnel to achieve further savings.

Michigan State University was forced to increase its resident undergraduate tuition by 15 percent and graduate tuition by 29 percent after receiving a state appropriations increase of only 3.4 percent. Most of the new money received was actually earmarked for the medical school.

STUDENTS MAY BEAR THE BURDEN

The close relationship between the amount of increase in a university's state appropriation and whether or not its student fees go up is borne out repeatedly. Since funds for instructional purposes come primarily from these two sources of revenue, inadequate appropriations must ultimately result in the placing of a larger share of the financial burden on the shoulders of the student.

This is a reality which public colleges and universities must face despite their commitment to the low tuition principle. Student fee increases are nevertheless a last alternative. In 1974-75, state and land-grant universities managed to hold the line quite well in their charges for tuition and other required fees. Data from 121 of 130 NASULGC member institutions showed an increase of only 2.6 percent in the median amount of charges over the previous year. The median increased from $517 to $531, a rise of only $13.

Early information on tuition and fee charges for 1975-76, provided by participants in the financial survey, painted a less encouraging picture. (A complete report on 1975-76 student charges at state and land-grant universities is being issued by NASULGC.) For the 25 universities which were able to provide data on the actual amount of proposed increases in charges for tuition and required fees, the median reported increase was $51. In 1974-75 the median increase for the 57 institutions which raised tuition and fee charges was $30.

Since the financial survey was conducted, a number of other universities have announced rate increases, some of which are quite sizeable. Early responses to the Association's student charges survey showed that at least 62 member institutions had plans to increase tuition and/or required fees.

LOW TUITION PROPOSAL FAILS

An unprecedented proposal made by the University of Wisconsin System, which would have cut tuition and required fees for resident undergraduates in half, failed to win legislative approval. The plan would have required an additional state appropriation of approximately $26 million over the 1975-77 biennium. Instead the university was forced to increase tuition to help balance the 1975-76 budget. For some students the increase will be as much as 19 percent since the university also switched from a bi-level plan for undergraduate tuition to a uniform charge which approximated or exceeded the amount which formerly had been paid only by juniors or seniors.

The Wisconsin tuition-reduction proposal was developed after extensive staff study of various alternatives for lowering tuition and fee charges to bring them within the reach of more state residents. A pilot fee experiment conducted on the Fond du Lac and Barron County campuses showed that substantial fee reductions will result in increased enrollments. Fees at these two university centers were set at the same level as fees at adjacent vocational schools. The result was increased enrollments at both the university centers and

the vocational schools. Further study indicated that a whole new pool of students who were not interested in programs offered by the vocational schools were attracted by the lower fees at the university centers.

Lower instruction fees, according to the staff study, "hold the real prospect not only of serving more citizens, but of making more effective and extensive use of existing campus programs and facilities, reducing spiraling unit costs and reversing trends on small and declining enrollment campuses and eliminating fiscal emergencies and dormitory vacancies in the process."

CITIZENS BILL OF ENTITLEMENT

The constant problem of increasing tuition and inadequate state appropriations, while not lending itself to easy solutions, has given rise to a number of suggestions for possible alternative means of financing education costs.

Dr. Clifton R. Wharton, Jr., president of Michigan State University, has suggested the enactment of a "citizens' bill of educational entitlement." He said the primary objective would be to "move toward a long-standing ideal of American education: low-cost or no-cost postsecondary schooling similar to that currently available at primary and secondary school levels."

The educator emphasized that a citizens bill of educational entitlement must be accompanied by a program of institutional grants to assure that students will continue to receive a balanced and high quality education.

He suggested that the proposed federal legislation might include the following features:

--Every high school graduate would be eligible for a specific federal dollar entitlement per year up to a maximum of four years of full-time study within a 10-year period following graduation.

--After the initial 10-year period, the individual would acquire additional educational entitlement benefits for every year he or she paid federal income tax or met the requirements for federal negative income tax assistance.

--A citizen's educational entitlement could be used at any accredited public or private postsecondary institution in the United States.

--The federal entitlement would apply to all citizens regardless of need.

Students who have financial need in addition to the basic entitlement still should be eligible for such assistance, Dr. Wharton added.

MORE FEDERAL COMMITMENT

A larger federal commitment to the financing of public higher education has been called for repeatedly by representatives of state and land-grant universities. In his presidential address to NASULGC in 1973, Robert Parks, president of Iowa State University, identified this need as a matter which should receive major attention from the Association in the years ahead. He described the failure to create a theoretical basis for the primacy of the federal government's responsibilities in financing public higher education at least in part to the fact that such financing has always come to the universities in the past on a kind of ad hoc basis "designed to provide for those special purposes which had the strongest political backing."

Such categorical funding has never acknowledged a total and continuing federal commitment to the support of public colleges and universities, Parks pointed out. Yet past achievements offer evidence that these institutions actually constitute a national higher educational system. Parks cited as examples the part these universities have played in such historic national objectives as the technological revolution in agricultural production and the promotion of the health of the nation's citizens.

The concept that NASULGC universities must therefore unite to build, Parks concluded, "must be a concept which is so broadly understood and accepted that it cannot be overset as the political winds turn, that it cannot be circumvented through a variety of subterfuges, that it cannot be overriden by a reshuffling of national priorities."

CHAPTER V

COPING WITH CRISIS

Surviving in a time when revenue is not keeping pace with inflation has obviously demanded that universities take a number of economy measures. Efforts for cost reduction are primarily focused on areas in which increases have been the greatest or in which cuts can be made with the least damage to the institution.

For example, extensive campaigns to cut utility costs were conducted during the 1974-75 academic year by virtually every state and land-grant university. The greatest price increases during the past year have been incurred in this one area. As mentioned in Chapter One, despite major reductions in energy usage, utility costs at the 95 institutions which provided data increased 37.3 percent during the year, from $201,766,701 in 1973-74 to $277,070,384 in 1974-75.

The second most widespread economy measure in 1974-75, according to NASULGC survey participants involved the deferment of maintenance. Forty-five institutions reported that they put off needed maintenance in 1974-75. Forty-four institutions indicated that they intended to defer maintenance in 1975-76 in an effort to cut costs. Many institutions which have taken this measure in the past observed that this is a poor economy measure because deferment only results in greater maintenance expenditures in subsequent years.

Limitation of travel expenses was the third most prevalent type of economy measure in 1974-75, with 38 institutions indicating that they had observed such a limitation. Forty-eight institutions reported that they planned to limit travel during 1975-76, making this the second most widespread economy measure for the current year.

Other economy measures taken by a small number of institutions included placing a limitation on the purchase of new supplies, cutting back on telephone expenses and eliminating the purchase of most new equipment.

CUTTING SALARY EXPENSES

Unfortunately, because of the high percentage of their budgets which are in salaries, the majority of the economy measures which will produce the greatest savings for state and land-grant universities involve people.

As noted in Chapter Two the median percentage of 1974-75 budgets for educational and general expenditures at state and land-grant universities which was devoted to salaries was 67 percent. All but six of the 89 survey respondents who provided information said that better than 50 percent of their budgets were designated for salaries.

Four NASULGC universities reported that the proportion of their budgets devoted to salaries was better than 80 percent. The highest budget proportion going for salaries among these four was 84 percent. Twenty-six institutions reported proportions devoted to salaries in the 71-80 percent range. The remaining 53 respondents said salaries represented between 51 and 70 percent of their current funds budgets.

Some lay-offs and even more hiring freezes therefore have become unavoidable for a number of NASULGC institutions in their battle to live within increasingly inadequate budgets. The extent of personnel reductions appears to be growing each year, as outlined in Chapter One.

Among the universities reporting proposed lay-offs, only one, Indiana University, planned to lay off both faculty and staff members during each of the two years in question. Two additional universities, Rutgers University and Kent State University, laid off both faculty and staff members in 1974-75, and five universities were planning to lay off personnel in both areas in 1975-76. These institutions were: University of Guam, University of Massachusetts,Amherst, Montana State University, State University of New York and University of Vermont.

Other universities which mentioned that faculty lay-offs in 1975-76 were possible but as yet not definite were Wayne State University and University of New Hampshire.

Staff lay-offs, which are slightly more common than faculty lay-offs, were cited by Florida State University, University of Georgia, University of New Hampshire and Cornell University for 1974-75. Cornell also planned staff lay-offs for 1975-76. Two additional universities, University of Delaware and University of Pittsburgh, planned staff lay-offs in 1975-76. Other universities which noted that staff lay-offs were a possibility but not yet definite for 1975-76 were Wayne State University and University of New Hampshire.

Seventeen NASULGC members reported hiring freezes affecting faculty and staff for both 1974-75 and 1975-76. Five other universities had freezes on both faculty and staff hiring for 1974-75 only and nine additional universities said they would impose a freeze on all hiring for 1975-76.

Four other universities which had freezes on both faculty and staff hiring in 1974-75 had not determined at the time the survey was conducted if the freeze would continue into 1975-76.

One university reported a freeze on staff hiring for 1974-75 only and one reported a freeze on staff hiring only for both years. Two universities reported a freeze on faculty hiring for both year and on staff hiring for 1974-75 only.

(The listings below show all NASULGC institutions which indicated that they had freezes in effect regarding faculty and/or staff hiring for each of the two years.)

Hiring Freezes

Faculty

1974-75	1975-76
University of Arizona	University of Arkansas, Pine Bluff
University of Arkansas, Pine Bluff	University of Connecticut
University of Connecticut	University of Delaware
University of Delaware	Florida State University
Federal City College	University of Florida
Florida State University	University of Kentucky
University of Florida	University of Maine
University of Hawaii	University of Massachusetts,Amherst
University of Kansas	Michigan State University
University of Maine	Mississippi State University
University of Massachusetts-Amherst	University of Mississippi
Michigan State University	University of Missouri
University of Michigan	Montana State University
Wanne State University	University of Montana
University of Mississippi	University of Nebraska,Lincoln
University of Missouri	University of Nevada, Reno
University of Nebraska, Lincoln	Rutgers University
Rutgers University	North Carolina A&T St. University
City University of New York	North Carolina State University
State University of New York	University of North Dakota
University of North Dakota	Kent State University
Kent State University *	Ohio State University
	Pennsylvania State University

* Selected Areas

1974-75	1975-76
Pennsylvania State University	Temple University
Temple University	University of Pittsburgh
University of Pittsburgh	Clemson University
Clemson University	University of South Carolina
University of South Carolina	University of Tennessee
University of Tennessee	
University of Wisconsin	

Staff

1974-75	1975-76
University of Arizona	University of Arkansas, Pine Bluff
University of Arkansas, Pine Bluff	University of Connecticut
University of Connecticut	University of Delaware
University of Delaware	University of Florida
Federal City College	Kansas State University
Florida State University	University of Kentucky
University of Florida	University of Maine
University of Guam	University of Massachusetts,Amherst
University of Hawaii	Michigan State University
Kansas State University	Mississippi State University
University of Kansas	University of Mississippi
University of Maine	University of Missouri
University of Massachusetts,Amherst	Montana State University
Michigan State University	University of Montana
University of Michigan	University of Nebraska,Lincoln
Wayne State University	University of Nevada, Reno
University of Mississippi	Rutgers University
University of Missouri	North Carolina A&T St. University
University of Nebraska,Lincoln	North Carolina State University
Rutgers University	University of North Dakota
City University of New York	Kent State University
State University of New York	Ohio State University
University of North Dakota	Pennsylvania State University
Kent State University*	Temple University
Pennsylvania State University	University of Pittsburgh
Temple University	University of South Carolina
University of Pittsburgh	University of Tennessee
Clemson University	
University of South Carolina	
University of Tennessee	
University of Wisconsin	

* Selected Areas

In addition to these institutions which had freezes in effect for one or both of the two years, two universities, Indiana University and Cornell University, reported that they would have partial freezes on faculty and staff hiring in effect for both years. The University of New Hampshire noted that they have utilized a review process concerning the filling of vacancies and will continue the procedure in 1975-76.

Other salary related actions taken by a limited number of state and land-grant universities include placing a freeze on promotions, beginning new employees only at the minimum salary for their job classifications and maintaining salaries at previous levels.

The University of Guam and North Carolina A&T State University reported that they will have a promotion freeze in effect for both years. Federal City College imposed a promotion freeze in 1974-75 and the University of Massachusetts, Amherst will do so in 1975-76. Five other universities noted that such freezes were a possibility in 1975-76.

Eighteen universities indicated that only minimum salaries would be offered to new employees in 1974-75 while 22 universities said that this would be the practice in 1975-76. Five additional universities cited this as a possibility for 1975-76.

Eight universities said it would be necessary to maintain 1975-76 salaries at 1974-75 levels. These institutions were: Florida State University, University of Florida, University of Guam, University of Massachusetts,Amherst, Mississippi State University, Rutgers University, North Carolina A&T State University and North Carolina State University. Seven other universities noted that such a freeze on salary levels might be necessary. Since the survey was conducted, salary increases at the University of Georgia have been eliminated as a result of a reduction in the institution's original appropriation for 1975-76.

CURBING ENERGY COSTS

The rapid rise in energy costs during the past year has resulted in extensive efforts to curb usage on campus. The types of actions being taken by universities depend upon a number of variable factors. The climate, the type of fuel most readily available in the area and the kind of equipment which the university already has in place are important concerns. For example, the University of Michigan discovered that it was costing more to set thermostats high in attempts to hold down air conditioning expenses than to keep them at lower temperatures. The equipment was designed to operate more efficiently at lower settings.

Even considering individual situations, data provided by NASULGC survey participants showed that certain energy saving measures are quite common. The three most widespread practices adopted by state and land-grant universities have been the reduction of thermostat settings, mentioned by 74 institutions; closing buildings during holiday periods, cited by 68 institutions and conducting de-bulbing campaigns in which the number of lights used are greatly reduced, reported by 61 institutions. Twenty-two universities also mentioned that they cut heat off during certain times of the day. Fourteen universities had converted totally or partially from one type of heat to another either to cut costs or because of a scarcity of supply of the type energy they were previously using.

Six of the universities which had made changes in the type of heat they were using had switched or planned to switch from gas to either oil or coal. The University of Delaware, University of Maryland and University of Vermont had made partial conversions increasing their use of oil in lieu of natural gas. The University of California had switched completely from gas to oil. Iowa State University and the University of North Carolina, Chapel Hill switched from gas to coal.

On the other hand, three universities switched to gas from other types of fuel. North Carolina State University and Kent State University switched from coal to gas and the University of Nevada,Reno switched from individual oil-fired boilers to gas-fired central heat.

Two other universities are now using more coal. North Dakota State University is using both coal and oil. The University of Washington has rejuvenated its coal-burning capability and is using this to supplement oil as a back-up fuel. Natural gas continues to be the primary fuel for the institution.

The University of Montana and the University of Wisconsin System also indicated that they were converting to a new type of heat but did not specify the type of change. Cornell University reported that it has shifted its mix of fuels but did not give specific information on the mix.

At the same time both Purdue University and Miami University reported that they had deferred converting from coal to oil because of the energy crisis.

The cost of fuel oil was up more than the cost for any other type of energy, according to NASULGC survey data. For 76 universities providing data on fuel oil costs, prices jumped 51.3 percent from 1973-74 to 1974-75 from $25,218,596 to $38,148,158.

Electricity costs were up 30 percent for the 76 institutions which provided information. The total bill for these universities jumped from $90,692,985 in 1973-74 to $117,921,289 in 1974-75.

The bill for all other types of fuel, including natural gas, was up 36 percent for the 85 universities which provided survey data. Costs increased from $58,005,982 in 1973-74 to $78,906,741 in 1974-75.

Conservation programs resulted in savings ranging from 8.8-12.6 percent for the NASULGC institutions which were able to provide information on the amount of savings they had achieved by cutting usage. The biggest savings were in fuel oil. Data from 74 institutions showed that they cut $4,662,282 off their fuel oil bill through conservation programs, for a savings of 12.6 percent.

Seventy-one universities reported that they shaved their electricity bills by $8,421,828 for a 8.9 percent reduction. Seventy universities which provided data on conservation efforts involving all other energy sources saved $6,261,085 to bring their bills down by 8.8 percent.

The chart below shows the results of 1974-75 energy conservation programs at state and land-grant universities.

ENERGY SAVINGS AT STATE AND LAND-GRANT UNIVERSITIES
FISCAL YEAR 1975

	Actual Costs	Estimated Costs w/o Conservation	Savings $	Savings %
Electricity (71)	$ 85,777,149	$94,198,977	$8,421,828	8.9
Fuel Oil (74)	32,248,379	36,910,661	4,662,282	12.6
All Other (70)	65,206,658	71,467,743	6,261,085	8.8
Total (78)	239,908,154	269,993,149	30,084,995	11.1

PRODUCTIVITY SAVINGS

A new phrase emerging in university-legislative dialog is "Productivity Savings." This means simply that universities are asked to reduce budgets by internal economies thus freeing funds for other purposes. This type of saving is being requested increasingly by state legislatures. The University of Wisconsin System, for example, was forced to absorb $3.5 million in productivity cuts in 1974-75. Ohio State University balanced its 1975-76 budget by

reducing commitments $5.2 million through cuts, savings and discontinuance of some programs such as its Academy for Contemporary Problems.

Program adjustments of this type, when not necessary simply to maintain the status quo, have become a major source of funds for new programs. However, such adjustments are not easily made.

"The most disturbing element in the latest fiscal crisis is the presumption that the universities can continue to realize significant savings through continued increases in productivity and efficiency without a corresponding reduction in quality of services," noted President Wharton of Michigan State University in his 1975 state of the university address.

Dr. Wharton cited such innovations as cable television and self-paced learning as examples of successful efforts to increase productivity. He cautioned, however, that because education is heavily dependent upon persons to conduct its activities, further scientific discoveries or new technologies that increase productivity are unlikely.

The majority of universities are handling demands for productivity savings by requiring all units to determine what they would cut to achieve various savings levels. The impact of alternative reductions is thus left to those who are the most professionally competent within each college, field or discipline.

All state and land-grant universities realize that today's actions must be judged against long-range goals for the institution. However, examination of goals which must take into account anticipated fiscal stringencies can result in a reality that is less than the universities might wish it to be.

CHAPTER VI

THE UNMET NEEDS

Determining how deeply a university can cut in its efforts to cope with financial adversity without vitally affecting its services to the constituencies it wishes to reach is one of the most troublesome issues facing state and land-grant universities today.

Participants in the NASULGC survey were asked to assess what they considered to be their major unmet needs. The necessity for funds to provide increases in salaries for existing faculty and staff and to meet increases in fuel and electricity costs were the two problems cited by the majority of institutions. Ninety-three universities listed the salary problem as a major funding priority and 92 universities listed the need for funds to meet increased utility costs as a major need.

The need for funds to cover increases in the costs of other goods and services was listed as a major problem by 88 institutions. Sixty-eight institutions stated that they needed funds to add new faculty and staff. A shortage of funds to cover increased costs of educating more students was cited as a problem by 64 institutions. Funds to provide for maintenance needs accumulated as a result of deferments in past years was listed as a problem by 50 institutions.

Twenty-five institutions said that they needed funds for new programs. Some of the specific programs of this nature which were cited by survey participants included urban extension programs, expansion in the area of health sciences and medical education and a variety of new degree programs and new research centers for the study of a wide range of topical issues.

For the most part, needs cited by survey participants are immediate. If they continue to go unmet, the cumulative effect will, in only a few years, become staggering for they are needs which reach right to the heart of state and university operations. Reallocations of funds can do little in answering the majority of these needs.

If additional revenue is not forthcoming the day is not far away when most of the nation's public universities must come face to face with the hard choices that come when quality and access must be weighed in the balance.